

# **Tobin & Co.**

Bingham-Suttons Bay Joint Building Authority

Leelanau County, Michigan

Financial Statements

For the Year Ended March 31, 2008

# Auditing Procedures Report

Issued under Public Act 2 of 1968, as amended.

Unit Name Bingham-Suttons Bay Joint Building Authority	County Leelanau	Type Building Authority	Muni Code 457011
Opinion Date 9/24/08	Audit Submitted 9/30/08	Fiscal Year 3/31/08	

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/> 1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> 2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/> 3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> 4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> 5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> 6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> 7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> 8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> 9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> 10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> 11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> 12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> 13. Is the audit opinion unqualified?      14. If not, what type of opinion is it? <u>NA</u>
<input checked="" type="checkbox"/> 15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> 16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> 17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/> 18. Are there reported deficiencies? <input type="checkbox"/> 19. If so, was it attached to the audit report?

General Fund Revenue:	<u>168345</u>
General Fund Expenditure:	<u>164089</u>
Major Fund Deficit Amount:	\$ <u>0.00</u>

General Fund Balance:	<u>8806</u>
Governmental Activities Long-Term Debt (see instructions):	<u>1,735,000.00</u>

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations)

CPA (First Name) <u>JOHN</u>	Last Name <u>TOBIN</u>	Ten Digit License Number <u>1101005221</u>		
CPA Street Address <u>400 E 8th</u>	City <u>TRAVERSE CITY</u>	State <u>MI</u>	Zip Code <u>49686</u>	Telephone <u>231-447-0151</u>
CPA Firm Name <u>TOBIN &amp; Co.</u>	Unit's Street Address <u>9971 E. SHADY LAKE</u>	City <u>SUTTONS BAY</u>	Zip Code <u>49682</u>	

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INTRODUCTORY SECTION

# **Tobin & Co.**

## Comments and Recommendations

We have examined the basic financial statements and the individual fund financial statements of Bingham-Suttons Bay Joint Building Authority, Leelanau County, for the year ended March 31, 2008 and have issued our report thereon. As part of our examination, we made a study and evaluation of the Authority's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Authority's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

Our study and evaluation made for the limited purpose described above would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal control of Bingham-Suttons Bay Joint Building Authority taken as a whole. As a result of our examination, we respectfully submit the following comments and recommendations. These comments and recommendations are intended to take the place of a separate management letter.

### Organization and Function

The Bingham-Suttons Bay Joint Building Authority was created by Bingham Township, Michigan and Suttons Bay Township, Michigan under the provisions of Act 31, Public Acts of Michigan, 1948, as amended. The Authority is governed by a board appointed by the township units which it serves.

The Authority was formed to construct a facility for the Suttons Bay-Bingham Fire and Rescue Unit. Effective September 1, 2006, the Fire and Rescue Unit was reorganized as an Authority. Bonds amounting to \$1,975,000 were sold in October 2004 to finance the project. Voted millage of the townships will fund the debt service which began on May 1, 2005. Title to the facility will be transferred to Suttons Bay-Bingham Fire and Rescue Authority at the time the debt is paid off. Therefore, the arrangement is being accounted for as a direct financing lease.

### Accounting Records and Procedures

Accounting records were maintained in very good order. Receipts were deposited timely and intact. Bank accounts were reconciled on a monthly basis. Our testing disclosed that disbursements were supported by itemized invoices.

After completion of our audit, we will mail the necessary copies of our report to the State Department of Treasury.

We appreciate the courtesy extended our field examiner in the conduct of this audit.

Your confidence is respected. Please contact us if questions arise or assistance is needed.

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## FINANCIAL SECTION

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## REPORT OF INDEPENDENT AUDITOR

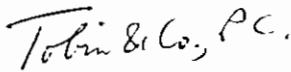
To the Members  
Bingham-Suttons Bay Joint Building Authority  
Leelanau County  
Suttons Bay, Michigan 49682

We have audited the basic financial statements of Bingham-Suttons Bay Joint Building Authority (the Authority), Leelanau County, as of and for the year ended March 31, 2008. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of the Bingham-Suttons Bay Joint Building Authority, Leelanau County, at March 31, 2008, and the results of operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements do not present a Management's Discussion and Analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.



TOBIN & CO., P.C.  
Certified Public Accountants  
September 24, 2008

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## Bingham-Suttons Bay Joint Building Authority Statement of Net Assets and Governmental Fund Balance Sheet March 31, 2008

	<u>General Fund</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Net Assets</u>
<u>Assets</u>			
Cash in Bank	\$ 8,806	\$ -	\$ 8,806
Current Portion of Lease Receivable	-	105,000	105,000
Lease Receivables, Due After One Year	-	1,630,000	1,630,000
Other Assets	<u>-</u>	<u>35,371</u>	<u>35,371</u>
Total Assets	<u>8,806</u>	<u>1,770,371</u>	<u>1,779,177</u>
<u>Liabilities</u>			
Accrued Interest Payable	-	25,800	25,800
Bonds Payable – Due Within One Year	-	105,000	105,000
Bonds Payable – Due After One Year	<u>-</u>	<u>1,614,328</u>	<u>1,614,328</u>
Total Liabilities	<u>-</u>	<u>1,745,128</u>	<u>1,745,128</u>
<u>Fund Balances/Net Assets</u>			
Fund Balance			
Restricted	8,806	25,243	34,049
Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>8,806</u>	<u>25,243</u>	<u>34,049</u>
Total Liabilities and Fund Balances	<u>\$ 8,806</u>		
<u>Net Assets</u>			
Restricted		25,243	34,049
Unrestricted		<u>-</u>	<u>-</u>
Total Net Assets		<u>\$ 25,243</u>	<u>\$ 34,049</u>

See Accompanying Notes to Basic Financial Statements



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## Bingham-Suttons Bay Joint Building Authority Statement of Activities and Governmental Revenues, Expenditures and Changes in Net Assets and Fund Balances For the Year Ended March 31, 2008

	<u>General Fund</u>	<u>Adjustments (Note 4)</u>	<u>Statement of Activities</u>
<u>Expenditures/Expenses:</u>			
Debt Service	\$ 158,345	\$ (1,188)	\$ (159,533)
Administrative Services	<u>5,744</u>	<u>-</u>	<u>(5,744)</u>
Total Expenditures/Expenses	<u>164,089</u>	<u>(1,188)</u>	<u>(165,277)</u>
<u>Program Revenues:</u>			
Lease Revenue	<u>168,345</u>	<u>26,431</u>	<u>194,776</u>
Total Program Revenues	<u>168,345</u>	<u>26,431</u>	<u>194,776</u>
Net Program Revenues (Expenses)	4,256	25,243	29,499
<u>General Revenues:</u>			
Interest Earned	<u>263</u>	<u>-</u>	<u>263</u>
Excess Revenues (Expenditures)	4,519	-	-
Change in Net Assets		25,243	29,762
<u>Fund Balance/Net Assets:</u>			
Beginning of the Period	<u>4,287</u>	<u>-</u>	<u>4,287</u>
End of the Period	<u>\$ 8,806</u>	<u>\$ 25,243</u>	<u>\$ 34,049</u>

See Accompanying Notes to Basic Financial Statements

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## Bingham-Suttons Bay Joint Building Authority Notes to Financial Statements March 31, 2008

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

Bingham-Suttons Bay Joint Building Authority is located in Leelanau County and was formed by two Townships.

The Authority's basic financial statements include the accounts of all Authority operations. The criteria for including organizations within the Authority's reporting entity, as set forth in GASB No. 14, "*The Financial Reporting Entity*", includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included.

Based on the above criteria, there are no other organizations included in these financial statements.

#### B. Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the Authority. Governmental activities are supported by taxes and intergovernmental revenues and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Other items not properly included among program revenues are reported instead as general revenues.

The financial activities of the Authority are also reported in a separate self-balancing governmental fund described as follows:

General Fund – This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Authority. Revenues are derived primarily from property taxes levied by the two township members of the Authority.

#### C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund and agency fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for recognition of all Authority Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred.

The revenue susceptible to accrual are property taxes, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

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## **Bingham-Suttons Bay Joint Building Authority Notes to Financial Statements March 31, 2008**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **D. Budgets**

The budget for the Authority is a project budget rather than an annual budget. Therefore, budget to actual information has not been reflected in the financial statements.

#### **E. Other Assets**

Other assets consists of debt issuance costs which will be amortized over the period in which the bonds are outstanding.

#### **F. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

A. We noted no violations of legal provisions and/or contractual provisions of various agreements related to financial matters.

B. All funds had positive fund balances at March 31, 2008.

C. Public Act 621 of 1978, Section 18, provides that a local unit shall not incur expenditures in excess of the amount appropriated. For the period ended March 31, 2008, the Authority was in compliance.

### **NOTE 3 - EXPLANATION OF CERTAIN ADJUSTMENTS BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET ASSETS**

Lease receivable is recognized as revenue in governmental funds as collections occur.

Long-term liabilities applicable to the Authority's governmental activities are not due and payable in the current period and accordingly are not recorded as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets.

### **NOTE 4 - EXPLANATION OF CERTAIN ADJUSTMENTS BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE STATEMENT OF ACTIVITIES**

Governmental funds report debt service as expenditures. However, in the statement of activities interest expense is reported as it accrues and bond premium is amortized over the term that bonds payable are outstanding.

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## **Bingham-Suttons Bay Joint Building Authority Notes to Financial Statements March 31, 2008**

### **NOTE 5 - DEPOSITS WITH FINANCIAL INSTITUTIONS**

#### **A. Legal Provisions for Deposits and Investments**

Act 20, Public Acts of 1943, as amended by Act 217, Public Acts of 1982, and Act 196, Public Acts of 1997, states that the Authority, by resolution, may authorize the Treasurer to invest surplus funds as follows:

- (1) In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
- (2) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union complies with subsection (2).
- (3) In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after date of purchase.
- (4) Repurchase agreements consisting of instruments defined in (1) above.
- (5) In bankers' acceptances of United States Banks.
- (6) Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- (7) In mutual funds registered under the investment company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by local units of government in Michigan.

#### **B. Types of Deposits**

The Authority had \$8,806 deposited with a local financial institution at March 31, 2008 with a carrying value of \$8,806. Interpreting the FDIC insurance coverage of \$100,000 of demand deposits and \$100,000 of time deposits per financial institution, the Authority had no uninsured deposits at March 31, 2008.

### **NOTE 6 - LEASES RECEIVABLE**

Upon completion of construction, the Authority began leasing the Fire Department facility to the Townships under a contract capitalized as a direct financing lease. Effective September 1, 2006 the Fire Department was incorporated and began operating as a Fire Authority. Simultaneously, the Townships subleased the facility to the Fire Authority. The lease payments are pledged solely for payment of the maturing bonds and interest. When the bonds issued by the Building Authority have been retired, title to the facility will be conveyed to the Fire Authority. Therefore, the transaction is being accounted for as a capital lease.

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## Bingham-Suttons Bay Joint Building Authority Notes to Financial Statements March 31, 2008

### NOTE 7 - LONG-TERM DEBT

In October 2004, the Authority sold bonds amounting to \$1,975,000. The following table summarized the issuance:

Original Issue	\$ 1,975,000
Outstanding Balance	\$ 1,975,000
Interest Rates	3% to 4.1%
Serial Maturity on Outstanding Bonds	May 1, 2008 – 2020
Call Provision Begins	May 1, 2014
Source of Lease Payments Used For Redemption Funds	Voted Millage

Debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>
March 31,		
2009	\$ 105,000	\$ 60,345
2010	115,000	57,045
2011	120,000	53,520
2012	125,000	49,783
2013	130,000	45,700
2014	140,000	41,105
2015	145,000	36,045
2016	155,000	30,568
2017	160,000	24,660
2018	170,000	18,305
2019	180,000	11,390
2020	<u>190,000</u>	<u>3,895</u>
	<u>\$ 1,735,000</u>	<u>\$ 432,361</u>
Bonds Outstanding – Beginning of Year	\$ 1,830,000	
Principal Deductions During the Year	<u>(95,000)</u>	
Bonds Outstanding – End of Year	<u>\$ 1,735,000</u>	

### NOTE 8 - CONTINGENT LIABILITIES

There are no known contingent liabilities of the Authority.

### NOTE 9 - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Fire Authority facility is insured by the Fire Authority and directors of the Building Authority are insured by the Townships.